
QBE Corporate Limited

Financial Statements

31 December 2005



Registered Number 3115135

QBE CORPORATE LIMITED

FINANCIAL STATEMENTS

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QBE CORPORATE LIMITED

DIRECTORS AND OFFICERS

Current directors

I D Beckerson appointed 19 July 2005
S P Burns
D J Winkett
D M Lang
F.M. O'Halloran

Current Secretary

A C H Williams appointed 8 December 2006

Past Secretary

H G Pallot appointed 30 September 2005, resigned 8 December 2006
I D Beckerson resigned 19 July 2005

Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
32 London Bridge Street
London
SE1 9SY

QBE CORPORATE LIMITED**DIRECTORS' REPORT**

The directors submit their report together with the audited financial statements for the year ended 31 December 2005.

Company's business

The principal activity of the Company is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of underwriting capacity to Lloyd's syndicates managed by Limit Underwriting Limited which underwrite insurance and reinsurance business. This will continue to be the principal activity of the Company for the foreseeable future.

Business review and future developments

The Company's participations in Lloyd's syndicates for the 2002, 2003, 2004 and 2005 underwriting years of account are as follows:

Managing agent	Syndicate	2002 allocated capacity £000	2003 allocated capacity £000	2004 allocated capacity £000	2005 allocated capacity £000
Limit Underwriting Limited	386	-	39,757	43,178	290,653
	566	39,272	-	-	-
	1036	12,130	14,555	16,173	-
	2999	85,286	172,830	183,200	550,000
		136,688	227,142	242,551	840,653

Results and Dividends

The results for the Company are set out in the profit and loss account on pages 6 and 7. The loss for the year was £8,340,000 (2004: profit £18,853,000). The directors do not recommend the payment of a dividend (2004: £nil).

Directors

Details of the directors that served during the year are shown on page 2.

At no time during the year did any director have a beneficial interest in the shares of the Company.

The directors are not required to disclose any interests they may have in the shares of the ultimate controlling entity, QBE Insurance Group Limited, which is incorporated in Australia.

QBE CORPORATE LIMITED**DIRECTORS' REPORT (continued)****Creditor payment policy**

The company does not follow a published code or standard on payment practice, although its policy is to pay amounts due within the relevant period of credit included in the terms and conditions under which business transactions with suppliers are conducted. QBE Corporate Limited has no trade creditors.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The shareholders have dispensed with the requirement to hold annual general meetings and with the requirement to appoint auditors annually, through an elective resolution. PricewaterhouseCoopers LLP continue to be the company's auditors.

By order of the board:



Adrian Williams
Secretary
London
9th February 2007

QBE CORPORATE LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CORPORATE LIMITED**

We have audited the financial statements of QBE Corporate Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
9th February 2007

QBE CORPORATE LIMITED
PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – GENERAL BUSINESS
for the year ended 31 December

	Notes	£'000	2005 £'000	2004 £'000
Earned premiums, net of reinsurance				
Gross premiums written	2	919,501		306,472
Outward reinsurance premiums		(205,048)		(60,874)
Net premiums written			714,453	245,598
Change in the provision for unearned premiums				
Gross amount		(236,210)		3,845
Reinsurers' share		26,821		(446)
			(209,389)	3,399
Earned premiums, net of reinsurance			505,064	248,997
Claims incurred, net of reinsurance				
Claims paid				
Gross amount		(204,683)		(93,498)
Reinsurers' share		84,647		67,314
		(120,036)		(26,184)
Change in provision for claims				
Gross amount		(665,836)		(185,681)
Reinsurers' share		405,214		34,771
		(260,622)		(150,910)
Claims incurred, net of reinsurance			(380,658)	(177,094)
Net operating expenses	3		(148,507)	(52,256)
Balance on technical account - general business			(24,101)	19,647

The notes set out on pages 10 to 19 form an integral part of these Financial Statements.

QBE CORPORATE LIMITED**PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT***for the year ended 31 December*

	Notes	2005 £'000	2004 £'000
Balance on technical account - general business		(24,101)	19,647
Investment income	6	18,791	8,710
Unrealised (losses) on investments		(347)	(110)
Investment expenses and charges	7	(3,609)	(2,141)
Other charges		(1,193)	(489)
(Loss)/profit on ordinary activities before taxation	8	(10,459)	25,617
Tax on profit on ordinary activities	9	2,119	(6,764)
(Loss)/profit on ordinary activities after taxation, retained for the financial year		(8,340)	18,853

The results above are derived from continuing operations.

There is no difference between (losses)/profit on ordinary activities before taxation and the retained (losses)/profit for the current and preceding financial year stated above and their historical cost equivalents.

There are no recognised gains and losses for the current and preceding financial year other than those included in the profit and loss account above and therefore no statement of total recognised gains and losses has been prepared.

The notes set out on pages 10 to 19 form an integral part of these Financial Statements.

QBE CORPORATE LIMITED**BALANCE SHEET***at 31 December*

	Notes	2005 £'000	2004 £'000
Assets			
Intangible assets	10	25,502	25,718
Investments			
Other financial investments	11	636,962	365,646
Reinsurers' share of technical provisions			
Provision for unearned premiums		36,921	9,956
Claims outstanding		645,034	203,090
		681,955	213,046
Debtors			
Debtors arising out of direct insurance operations			
Intermediaries		200,839	77,397
Arising out of reinsurance operations		172,097	37,134
Other debtors	12	19,161	18,398
		392,097	132,929
Other assets			
Cash at bank and in hand		46,108	57,310
Prepayments and accrued income			
Deferred acquisition costs		67,667	19,161
Other prepayments and accrued income		8,130	3,581
		75,797	22,742
Total assets		1,858,421	817,391

The notes set out on pages 10 to 19 form an integral part of these Financial Statements.

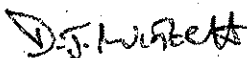
QBE CORPORATE LIMITED

BALANCE SHEET

at 31 December

	Notes	2005 £'000	2004 £'000
Liabilities			
Capital and reserves			
Called up equity share capital	13,14	-	-
Profit and loss account	14	(32,474)	(24,134)
Equity shareholders' deficit	14	(32,474)	(24,134)
Technical provisions			
Provision for unearned premiums		327,527	89,847
Claims outstanding		1,305,252	575,227
		1,632,779	665,074
Creditors			
Creditors arising out of direct insurance operations		49,911	10,506
Creditors arising out of reinsurance operations		42,767	5,041
Deferred tax	15	11,797	8,982
Other creditors	16	153,641	151,922
		258,116	176,451
Total liabilities		1,858,421	817,391

These financial statements were approved by the board of directors on 9th February 2007 and signed on its behalf by:



D J Winkett
Director

The notes set out on pages 10 to 19 form an integral part of these Financial Statements.

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***forming part of the financial statements***1. Accounting policies****(a) Basis of preparation**

The Financial Statements have been prepared in accordance with Section 226 of, and Schedule 9A to, the Companies Act 1985, and applicable accounting standards. The Company has adopted the recommendations of the Statement of Recommended Practice issued by the ABI dated December 2005 and Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" except in relation to the treatment for recognition of liabilities on payment of a reinsurance to close as explained in the accounting policies below.

The financial statements have been prepared on a going concern basis as the Company's ultimate parent undertaking, QBE Insurance Group Limited, has indicated that it intends to provide such funds as are necessary for the Company to continue to trade for the foreseeable future.

(b) Cash flow statement

No cash flow statement is presented as the Company has taken advantage of the provisions of Financial Reporting Standard 1 (FRS 1) (revised) which exempts subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within a group, from producing a cash flow statement, provided the consolidated Financial Statements in which the subsidiary is included, being the consolidated Financial Statements of QBE Insurance Group Limited, include a cash flow and are publicly available (see note 20).

(c) Basis of accounting for underwriting business

The technical account – general business set out on page 6 has been prepared by aggregating the Company share of the underwriting transactions (premiums, claims and expenses) of the Lloyd's syndicates of which the Company is a member.

The Company's share of the underwriting transactions is presented on an annual accounting basis under which insurance profits or losses are recognised as they are earned.

i. Gross premiums written

Gross premiums written represent premiums on contracts incepting in the financial period, together with adjustments arising in the financial period to premiums incepting in previous financial periods. Gross written premiums are stated before deduction of commissions but net of taxes and duties levied on premiums.

ii. Unearned premiums

Unearned premiums represents that part of gross premiums written and reinsurers' share of premium written for managed syndicates, that it is estimated will be earned in future financial periods.

iii. Reinsurance premiums written

Outward reinsurance premiums and associated recoveries are allocated to the appropriate year of account on the basis of the policy inception date.

iv. Deferred acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of concluding insurance policies. Acquisition costs are charged to the accounting periods in which the related premiums are earned.

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***i. Accounting policies (continued)****(c) Basis of accounting for underwriting business (continued)****v. Claims incurred**

Claims incurred comprise all claims payments and internal and external settlement expense payments made in the financial period and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoverable.

vi. Claims outstanding

Provision is made at the period end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

In calculating the claims outstanding provision, the Company uses a variety and where possible multiple techniques to estimate the required level of provision, generally based upon statistical analyses of historical experience. The projections given by the various methodologies also assist in settling the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Large claims impacting each relevant business class are assessed separately in order to allow for the possible distortive effect of their development and incidence.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Whilst the directors consider that the estimate of claims outstanding is fairly stated on the basis of information currently available, there is inherent uncertainty in relation to the ultimate liability which may result in the eventual cost of settling these liabilities being higher or lower than the amount calculated.

vii. RITC

At the end of the third year, the underwriting account of each syndicate is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs.

Where the Company has increased or decreased its participation from one year of account to the next, the reinsurance to close paid is treated as a portfolio transfer from the closing year to the receiving year.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims. The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. This is a departure from the requirements of technical release 1/99. However, this treatment is in line with industry practice and the Directors have concluded that this is the most appropriate accounting policy under FRS18 "Accounting Policies".

viii. Profit commission

Profit commission is recognised on an earned basis in relation to each year of account open during the period.

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***1. Accounting policies (continued)****(d) Exchange rates**

Transactions denominated in foreign currencies are included at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rates ruling at the transaction dates. Unearned premium reserves and deferred acquisition costs have been treated as non-monetary items.

Exchange gains or losses are recognised in the profit and loss non-technical account.

(e) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

(f) Intangible assets

Intangible assets are the cost of syndicate participations purchased in the Lloyd's syndicate capacity auctions. These assets are written off over twenty years from the start of the underwriting year to which the capacity relates being managements best estimate of their useful economic life.

(g) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

(h) Taxation

The charge for taxation is based on the results for the year adjusted for disallowable items. In accordance with the provisions of FRS19, deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

(i) Related parties

The Company has availed itself of the exemption available under FRS 8 not to disclose transactions which are with entities that are part of the QBE Insurance Group, 90% or more of whose voting rights are controlled within the QBE Insurance Group. This exemption is available to the Company as consolidated Financial Statements are publicly available for QBE Insurance Group Limited, the ultimate holding company (see note 20).

QBE CORPORATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

forming part of the financial statements

2. Segmental analysis – technical account

The following business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment and class of business for the purpose of Statement of Standard Accounting Practice 25: 'Segmental reporting'.

Segmental information in the format required by the Companies Act 1985 is as follows:

2005	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance:					
Accident and health	(133)	(112)	(1,626)	228	890
Motor (third party liability)	(533)	(205)	(7,222)	(61)	504
Motor (other classes)	9,134	6,789	(3,874)	(796)	180
Marine, aviation and transport	127,748	75,357	(164,959)	(21,223)	93,555
Fire and other damage to property	97,543	68,614	(59,777)	(12,304)	11,607
Third party liability	426,445	311,541	(240,004)	(74,440)	40,778
Credit and suretyship	6,764	5,017	(2,174)	(1,616)	(707)
Miscellaneous	2,658	2,171	(1,116)	(873)	1,522
	669,626	469,172	(480,752)	(111,085)	148,329
Reinsurance acceptances	249,875	214,119	(389,767)	(37,422)	163,305
	919,501	683,291	(870,519)	(148,507)	311,634

2004

Direct insurance:					
Accident and health	128	130	(1,470)	(22)	461
Marine, aviation and transport	21,155	21,420	(25,577)	(3,607)	14,511
Fire and other damage to property	26,584	26,917	(31,925)	(4,533)	15,933
Third party liability	50,073	50,701	(88,657)	(8,538)	8,095
Miscellaneous	976	989	(5,650)	(166)	74
	98,916	100,157	(155,279)	(16,866)	39,074
Other reinsurance acceptances	207,556	210,160	(123,900)	(35,390)	1,691
	306,472	310,317	(279,179)	(52,256)	40,765

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2005 £'000	2004 £'000
U.K.	407,435	154,408
Other EU Countries	95,189	34,669
U.S.	154,395	42,741
Other countries	262,482	74,654
	919,501	306,472

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***3. Net operating expenses**

	2005 £'000	2004 £'000
Direct commission	79,680	22,901
Other acquisition costs	26,182	20,687
Change in deferred acquisition costs	(48,231)	2,844
Administrative expenses	99,960	14,951
Reinsurance commissions and profit participations	(73)	(2,136)
Underwriting exchange losses/(gains)	(9,011)	(6,991)
	148,507	52,256

4. Employees

The Company does not employ any staff. All staff were employed by fellow subsidiary undertakings. On 6 April 2005 all staff contracts were transferred from Limit Underwriting Limited to QBE Management UK Ltd a fellow subsidiary undertaking. No recharge has been made to the Company for the services provided by these staff.

5. Directors' emoluments

The emoluments of the directors are paid by QBE Management (UK) Limited for their services to the group as a whole. No emoluments were payable to the directors in respect of their services to this Company for the year ended 31 December 2005 (2004: £nil).

6. Investment income

	2005 £'000	2004 £'000
Income from group undertakings	294	126
Income from other investments	18,432	10,339
Net realised gains on investments held in syndicate trust funds	65	22
Net realised losses on investments held in syndicate trust funds	-	(1,777)
	18,791	8,710

7. Investment expenses and charges

	2005 £'000	2004 £'000
Letter of credit fees	439	1,630
Interest payable to group undertakings	879	177
Interest payable and other investment charges	2,291	334
	3,609	2,141

8. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £'000	2004 £'000
Amortisation of intangible assets	1,351	486

The audit fee for the company in the current and prior financial year has been borne by a fellow group undertaking.

QBE CORPORATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

forming part of the financial statements

9. Tax on profit on ordinary activities

Analysis of charge in period	2005 £'000	2004 £'000
<i>Current tax:</i>		
UK corporation tax at 30% (2004:30%)	(6,907)	(15,459)
Overseas tax	156	111
Adjustment to tax in respect of prior period	255	(10,145)
Total current tax	(6,496)	(25,493)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	3,584	22,886
Adjustment to tax in respect of prior period	793	9,371
Total deferred tax	4,377	32,257
Tax on profit on ordinary activities	(2,119)	6,764

Factors affecting tax charge for the period

The tax for the period is lower (2004 – lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	(10,459)	25,617
Profit on ordinary activities before tax multiplied by standard rate of UK Corporation Tax of 30%	(3,138)	7,685
<i>Effects of:</i>		
Expenses not deductible for tax purpose	135	(258)
Unrelieved foreign tax	155	111
Other timing differences – deferred tax	(3,584)	(22,886)
Income exempt from tax	(319)	
Adjustments to tax in respect of prior period	255	(10,145)
Current tax charge for the period	(6,496)	(25,493)

10. Intangible assets

	Value of syndicate participations £'000
Cost	
At 1 January 2005	27,017
Additions	1,135
At 31 December 2005	28,152
Amortisation	
At 1 January 2005	1,299
Charge for the period	1,351
At 31 December 2005	2,650
Net book value at 31 December 2005	25,502
Net book value at 31 December 2004	25,718

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***11. Other financial investments**

	Cost 2005 £'000	Market value 2005 £'000	Cost 2004 £'000	Market value 2004 £'000
Shares and other variable yield securities	39,513	39,513	40,921	40,841
Debt securities and other fixed interest securities	593,668	591,870	319,915	319,129
Deposits with credit institutions	5,579	5,579	5,676	5,676
	<u>638,760</u>	<u>636,962</u>	<u>366,512</u>	<u>365,646</u>

Shares and other variable yield securities, units in unit trusts, and debt securities and other fixed income securities are all listed on recognised stock exchanges.

12. Other debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	1,799	233
Amounts receivable for group taxation relief	-	15,459
Corporation Tax Asset	6,907	-
Other debtors	10,455	2,706
	<u>19,161</u>	<u>18,398</u>

13. Called up share capital

	2005 £'000	2004 £'000
Authorised		
1,000 Ordinary Shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
2 Ordinary Share of £1 each	2	2

14. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
At 1 January	-	(24,134)	(24,134)	(42,987)
Retained (loss)/profit for the year	-	(8,340)	(8,340)	18,853
At 31 December	-	(32,474)	(32,474)	(24,134)

QBE CORPORATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

forming part of the financial statements

15. Deferred tax liability

Provision is made for deferred UK corporation tax at 30 per cent.

	2005 £'000	2004 £'000
Deferred tax (liability)/asset as at 1 January	(8,982)	13,442
Over provision in prior years	(793)	(9,371)
Transferred to corporation tax	1,562	9,833
Deferred tax (charge)/credit in profit and loss account	(3,584)	(22,886)
Deferred tax liability as at 31 December	(11,797)	(8,982)
Comprising:		
Lloyd's (profits) taxed in future years	(11,797)	(17,331)
Disclaimer of technical provision under S107 FA2000	-	8,349
Undiscounted provision for deferred tax	(11,797)	(8,982)

16. Other creditors

	2005 £'000	2004 £'000
Amounts payable for group taxation relief	11	-
Amounts due to group undertakings	117,188	135,115
Other creditors	36,430	3,053
Accruals and deferred income	12	13,754
	153,641	151,922

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***17. ABC securities**

In October 2003, the ultimate holding company of the Group, QBE Insurance Group Ltd, entered into an arrangement with Mantis Reef Limited (MRL) to issue US\$550,000,000 of ABC securities to support funds at Lloyd's pursuant to Lloyd's collateral requirements for Limit plc's corporate member subsidiaries. This arrangement substantially replaced bank letters of credit.

Proceeds from the sale of the ABC securities to investors have been used to purchase shares in a wholly-owned subsidiary of MRL, Mantis Reef Pledge Limited (MRPL). The proceeds from the sale of shares in MRPL have been used to purchase eligible investments over which security interests, in the form of a fixed and floating charge, have been granted to Lloyd's in support of FAL.

MRL and MRPL are both special purpose entities incorporated with limited liability under the laws of the Cayman Islands. Neither the Group nor the ultimate holding company has an ownership interest in MRL or MRPL, however as quasi-subsidiaries the QBE group is required to consolidate the entities under UIG 28 in Australia. FRS 5 'Reporting the substance of transactions' would require the same treatment.

In October 2004, the ultimate holding company of the Group, QBE Insurance Group Ltd, entered into an arrangement with Mantis Reef II Limited (MRIIL) to issue US\$220,000,000 of ABC securities to support funds at Lloyd's pursuant to Lloyd's collateral requirements for Limit plc's corporate member subsidiaries. This arrangement substantially replaced bank letters of credit and assisted in meeting new FAL requirements.

Proceeds from the sale of the ABC securities to investors have been used to purchase shares in a wholly-owned subsidiary of MRIIL, Mantis Reef II Pledge Limited (MRIIPL). The proceeds from the sale of shares in MRIIPL have been used to purchase eligible investments over which security interests, in the form of a fixed and floating charge, have been granted to Lloyd's in support of FAL.

MRIIL and MRIIPL are both special purpose entities incorporated with limited liability under the laws of the Cayman Islands. Neither the Group nor the ultimate holding company has an ownership interest in MRIIL or MRIIPL, however as quasi-subsidiaries the QBE group is required to consolidate the entities under UIG 28 in Australia. FRS 5 'Reporting the substance of transactions' would require the same treatment.

18. Claims Outstanding

The technical result for the year includes the net impact of the 2005 hurricane losses (Katrina, Rita, and Wilma) of £97.4m. As at 31 December 2005 gross and net claims outstanding in respect of these losses are £442.8m and £74.3m respectively. These estimates, as with all claims, are subject to uncertainties, the outcome of which could have a positive or negative impact on the future results of the Company.

The 2005 financial year has been negatively impacted by £7m primarily as a result of prior year deterioration in the US casualty and other UK liability accounts, in relation to D&O and E&O losses and pensions mis-selling claims respectively. In addition the syndicate suffered deterioration of £2m arising on its Energy account.

The relatively benign claims experience of syndicate 386's 2003 and prior years led to a reassessment of the reserves required and resulted in a release of £2.3m

19. Guarantees and contingencies

The Company's funds at Lloyd's are provided by Letters of credit guaranteed by the ultimate holding company of £135,000,000 (2004: £60,000,000) ABC securities pledged of £408,563,397 (2004: £95,770,437) a cash deposit of £2,137,113 (2004: £31,525,199). The total guarantee given by Limit plc under the deed of covenant amounts to £115,200,061 (2004: Nil) giving the company total 'funds at Lloyd's' of £660,900,571 (2004: £187,295,636).

Of the total assets disclosed on the Company's balance sheet, £1,812,406,643 (2004: £782,593,887) of which £636,962,000 (2004: £359,766,137) are investments, are subject to Lloyd's Premium Trust Funds or will become subject to them on realisation. These funds will only be released to the Company on the closing of the 2003, 2004 and 2005 years of account in 2006, 2007 and 2008 respectively.

QBE CORPORATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)***forming part of the financial statements***20. Parent undertakings**

The Company's ultimate parent undertaking and controlling entity is QBE Insurance Group Limited, which is incorporated in Australia. This is the largest group of undertakings into which the Company's financial statements are consolidated. The smallest group of undertakings into which the Company's financial statements are consolidated is headed by QBE International Holdings (UK) plc, which is incorporated in the United Kingdom. The consolidated financial statements for QBE Insurance Group Limited and QBE International Holdings (UK) plc are available from the Company's registered office at Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.

The Company's immediate parent company is Limit Corporate Members Limited, which is incorporated in the United Kingdom.